



PENNSYLVANIA DEPARTMENT OF BANKING AND SECURITIES

# THE QUARTER

## The Impact of Gender Diversity on Business



**Investors Cautioned about Cryptocurrencies**

**Mortgage Servicing License Deadline June 30**

**PA College Students Break Record**



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## SECRETARY ROBIN L. • [dobssecretary@pa.gov](mailto:dobssecretary@pa.gov) **Wiessmann**

### The Impact of Gender Diversity on Business



The percentage of women serving on corporate boards is increasing. In Pennsylvania, women hold 18.1 percent of board seats for Fortune 1000 companies.

Why is this important? Simply put: diversity matters. Increased female board representation signals a shift away from antiquated attitudes toward women in business. With 3.6 billion women in the world, we possess a powerful voice and perspective that carries over into increased performance, dealing more comprehensively with risk, and higher profits.

Katie Kohler, a principal of the executive search and recruiting firm Korn Ferry states, "It's well known that diverse teams are smarter... Those [companies] in the top quartile for gender diversity were 15%

more likely to have financial returns above their medians. And, it's been shown that Fortune 500 companies with the highest representation of women board directors achieved better financial performance on average, than those with the lowest representation of women board directors." <sup>1</sup>

Women have a unique perspective that ought to be considered an asset, not a detriment, to a company. Greater board diversity recognizes the importance of diversity of thought, experience, and perspective in business and management. These companies and organizations will be the ones who are better able to relate to an increasingly diverse consumer base, and will successfully navigate uncertainties and challenges in the marketplace.

These companies also recognize the role diversity plays in board performance. PwC's 2017 Annual Corporate Directors Survey showed that 82 percent of directors think diversity enhances board performance and additional research shows a decreased likelihood of instances of bribery, corruption, fraud, and shareholder battles.

Gender diversity on boards helps push for selection of progressive leadership, as boards often have the power to appoint company CEOs and presidents. MIT Sloan Management Review found that, "When women lead a board, there tend to be more women in other powerful board roles. In companies where women occupy the board chair role, the percentage of women who chair at least one committee is higher, the percentage of women leading the compensation and audit committees is higher, and the average



percentage of women on the board increases from 20% to 28% overall.”<sup>2</sup>

Women also bring other skills to leadership positions, such as relationship management and the push for positive work-life balance. They can serve as role models for other women struggling to juggle their home lives with their careers, and they can help implement forward-thinking policies that benefit women broadly in the corporate world.

While we are generally seeing positive steps towards greater board gender diversity, there is still work to do. The good news: more women are accepting and embracing the opportunity to become leaders and mentors to up-and-coming female colleagues. They are holding themselves out as role models and mentors, creating networks to harness collective resources and experiences, and empowering each other to grow and take on leadership opportunities.

Governor Wolf and I urge companies and organizations to evaluate their board composition, with the understanding that companies' leadership teams should be more reflective of the increasingly diverse communities and consumer bases they serve, a large segment of which is female. Doing so will serve to strengthen Pennsylvania companies and business, and our overall economy.

<sup>1</sup><https://www.forbes.com/sites/christopherskroupa/2016/11/30/why-there-arent-women-on-boards-and-why-there-should-be/#1e1a90452309>

<sup>2</sup><https://sloanreview.mit.edu/article/why-the-influence-of-women-on-boards-still-lags/>

## Investors Cautioned about Cryptocurrencies

The department advises consumers that investments involving cryptocurrencies such as bitcoin should not be confused with developments of the underlying technology, known as the blockchain.

“The blockchain has the potential to have a positive impact on many sectors of our economy beyond the financial marketplace,” said Secretary Robin L. Wiessmann. “Governor Wolf and I welcome innovation and are watching with great interest how businesses incorporate the blockchain into their models to the benefit of their investors and their customers.”

However, Wiessmann advises consumers to make sure they are aware of some of the risks of cryptocurrency investments, including:

- Cryptocurrency accounts are not insured like traditional banking accounts, which are insured by the U.S. government up to \$250,000.
- Cryptocurrency is subject to minimal regulatory oversight, susceptible to cybersecurity breaches or hacks, and there may be no recourse should the cryptocurrency disappear.
- The high volatility of cryptocurrency investments adds additional risk for most investors, especially those investing for long-term goals or retirement.
- Investors in cryptocurrency are relying upon companies that may not be accountable to state or federal government regulators charged with protecting investors.



Wiessmann also reminds investors that every offering is distinctive, and she urges retail investors to watch a short **animated video** produced by the North American Securities Administrators Association (NASAA) to help investors understand the risks associated with cryptocurrencies.

## Community Forum on Elder Financial Abuse

Secretary of Banking and Securities Robin L. Wiessmann, Secretary of Aging Teresa Osborne, and Secretary of Revenue Dan Hassell participated in a community discussion last month at the TriCounty Active Adult Center in Pottstown to raise awareness of ways to protect older Pennsylvanians from scams and financial exploitation. Wiessmann urges caution when presented with requests for money, noting that “Scammers will play on your emotions and push you to act quickly.” The department has published an informative **guide** on some of the most prevalent scams.





# OUTREACH Spotlight



Governor Wolf proclaimed April as **Financial Capability Month** to recognize the work of many state agencies, private organizations, consumer groups, and businesses that are helping Pennsylvanians become financially capable in their everyday lives.

To stay up to date with where the department's Investor Education and Consumer Outreach staff are presenting programs, visit our **online Calendar of Events**.

This year, the department has launched two new programs to help consumer protect and grow their money:



- **STaRT** (Start Today and Retire Tomorrow) developed for use by state regulators by the North American Securities Administrators Association – focuses on retirement planning, setting goals, and how to achieve those goals.



- **FinLit Forum** is a three-hour financial literacy, conference-style program designed to address financial, investment, and other important life lessons that are faced by high school and college students. This program is a collaboration of state government agencies and nonprofit partners.

To learn more about **STaRT** or the **FinLit Forum**, contact us at [informed@pa.gov](mailto:informed@pa.gov).

Additionally, the department launched "Your Annual Financial Checkup," an online resource available designed to help working adults achieve personal financial capability and independence. A checklist of seven steps anyone can use to access and review important financial information. Learn more [here](#).

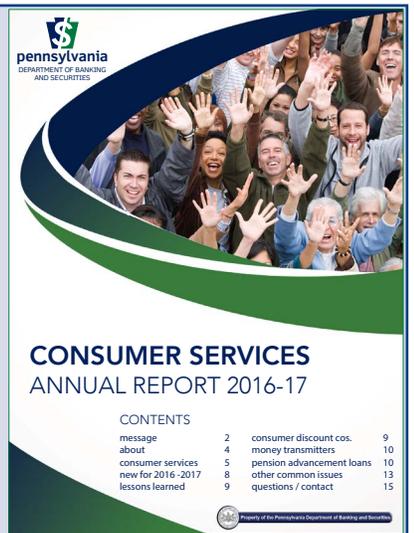


## Second Annual Consumer Services Report Highlights Scams, Mortgages, and Credit Issues

The department has published its second Consumer Services Annual Report. This year's report highlights problems confronting Pennsylvania consumers with repaying loans, transmission of money, so-called "pension advancement" schemes, mortgage satisfaction, illegal card skimmers, and credit reports, and discusses how consumers can resolve these problems.

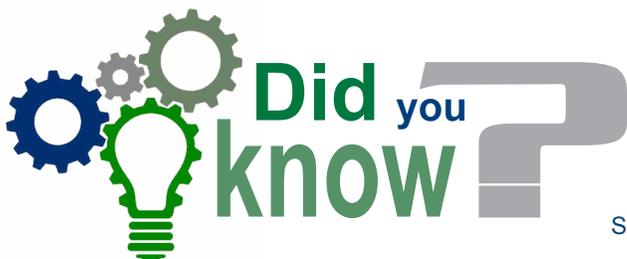
"Our staff has become a valuable resource to the consumers who contact the department, but they are also a valuable resource in helping us identify emerging issues and trends that have the potential to affect a larger number of Pennsylvanians," said Secretary Robin L. Wiessmann. "I encourage everyone to read this report and take action to learn how to protect yourself and your money, connect with people and organizations providing consumer protections, and contact us with your questions or complaints about financial issues."

The report can be found on the department's website [here](#).



### CONSUMER SERVICES ANNUAL REPORT 2016-17

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The department has launched a blog, **PA Money Talks**, to help consumers make educated decisions with their money and protect their assets; communicate department news and perspective; and inform and influence regulatory and consumer protection issues on the state and national levels.

Subscribe to our social media channels (**Twitter** or **Facebook**) for blog updates or check back often for the latest!

## DoBS Discusses Opioid Epidemic at NASAA Conference



Executive Deputy Secretary Brian LaForme (right) addressed the role of investor educators in combating the opioid epidemic at the spring meeting of the North American Securities Administrators Association. He was joined by journalist Greg Iacurci and Karen Tyler from the North Dakota Securities Department.

“The sad reality is that the opioid epidemic impacts every facet of our economy, from health care costs for everyone, to government budgets, emergency response and management, criminal justice, to productivity and global competitiveness,” said LaForme. “Having worked for an investment advisory firm for nearly

a decade, I know that you never want to leave your advisors flat-footed. Arming them with information and tools so they aren’t caught off-guard is an important part of our work.”

Among the tools mentioned by LaForme is publication, “Opioid Epidemic: Its Impact on Investment Advisers, Their Clients, and Firms,” which can be found [online](#).



## Interest Rates in PA Explained

If you ever asked the question: how much interest can you charge on a loan in Pennsylvania, the answer will be complicated.

To address this challenging issue, the department has released a series of videos that will make that answer easier to understand and more accessible to consumers, media, and policy makers.

A six-minute version that covers a wide variety of loan types can be found [online](#).

A series of 13 shorter videos that explain specific interest rate issues can be found on the department’s [YouTube channel](#).



## Knopp Named Fintech Innovation Contact

Deputy Secretary for Non-Depository Institutions Tim Knopp has been designated a point of contact between technology innovators offering financial services (fintech) and the department.

Knopp can address questions from the fintech industry via [fintech@pa.gov](mailto:fintech@pa.gov).

“Governor Wolf and I seek to reduce regulatory burden, foster business development, and enhance relationships between state regulators and fintech,” said Secretary Robin L. Wiessmann of Banking and Securities. “Tim Knopp and his colleagues will smooth the process for fintechs navigating the licensing process. We will work with fintech firms to review business concepts, encourage positive aspects of change, and protect consumers.”

This announcement of the Innovation Staff Contact is part of a national initiative of state financial regulators coordinated by the Conference of State Bank Supervisors to streamline communications between fintech and state regulators on money transmission and payments, lending, banking, and other financial innovation.





# Cybersection

SAFETY AND SECURITY



## Third-Party Risk Management

Data breaches like those involving Target and Equifax underscore the critically important nature of third-party vendor management to any company's overall risk profile and reputation – not to mention bottom line.

### Data Protection:

It is critical that your vendors properly secure any confidential information they collect and store on your behalf and ensure that they comply with the latest cybersecurity protocols and frameworks. A review and understanding of your vendor's information technology and data protection policies and procedures should be a part of any vendor management program. In addition, in the event of a data breach by your vendor, you need to understand before such an occurrence what laws and regulations apply and who is responsible to act. This is particularly important when your vendor or business is in multiple jurisdictions which may have different requirements.

For cybersecurity resources, be sure to check out our cybersecurity resources online: [www.dobs.pa.gov/Businesses/cybersecurity](http://www.dobs.pa.gov/Businesses/cybersecurity)

### Marketing and Advertising Laws

A review of you and your vendor's communication and marketing protocols – when others reach out on your behalf or refer leads to you – should also be a part of your vendor management procedures. As marketing to your customers has become more complex and consumers are targeted using ever-increasing personal information, it is important to make sure your vendors – especially those who perform marketing, referral, and communications duties -- are complying with the applicable federal and state rules and requirements, including do not call and solicitation laws such as the:

- TCPA – or the **Telephone Consumer Protection Act of 1991**. Among other things, this limits the use of automatic dialing systems, limits solicitation hours, and requires compliance with the **National Do Not Call Registry**.
- **Pennsylvania Do Not Call List** – Since 2002, Pennsylvanians could opt-out of many solicitations. Any vendor you use to communicate on your behalf should be familiar with not only the national requirements, but state requirements as well.

## Cyber Insurance: Right for Your Company?



Cyber attacks are increasing in volume and sophistication, but traditional general liability insurance policies may not provide effective coverage for all potential exposures caused by cyber events.

Cyber insurance could offset financial losses from a variety of exposures—including data breaches resulting in the loss of confidential information—that may not be covered by more traditional insurance policies. You should assess the scope of coverage of current insurance and consider how cyber insurance may fit into your company's overall risk management framework.

As with any insurance coverage, cyber insurance does not diminish the importance of a sound control environment. Rather, cyber insurance may be a component of a broader risk management strategy that includes identifying, measuring, mitigating, and monitoring cyber risk exposure.

You can find additional information on risk management and cybersecurity risk management from the Federal Financial Institutions Examination Council (FFIEC) at [www.ffiec.gov](http://www.ffiec.gov).



## A Well-Informed Marketplace

Investor Education & Consumer Protection

*"We work to help consumers understand how they can navigate modern financial services to deposit, spend, borrow, send, and invest money with confidence."*

– Robin L. Wiessmann, Secretary of Banking and Securities





## PA Students Break Record in National Competition

Teams of students from a record-breaking 11 colleges and universities in Pennsylvania are competing this year's Conference of State Banking Supervisors (CSBS) Community Bank Case Study Competition.

The competition is open to undergraduate students in all fields of study as an opportunity to gain valuable first-hand knowledge of the banking industry. This year, each student team will develop an original case study that evaluates how their local community bank is using technology within day-to-day operations. Finalists will be announced May 10.

"No state has ever sent nearly this many students to the competition," said Secretary Robin L. Wiessmann. "I am excited to see the large increase of Pennsylvania colleges and universities choosing to compete on a national stage, as well as the number of state-chartered banks participating."



Eleven of the 47 institutions entered in the competition are from colleges and universities within the commonwealth:

- Ursinus College, working with Victory Bank
- Grove City College, working with Mars Bank
- Immaculata University, working with First Resource Bank
- Mansfield University, working with Citizens & Northern Bank
- Saint Vincent College, working with Somerset Trust
- Kutztown University, working with Customers Bancorp and New Tripoli Bank
- York College of Pennsylvania, working with Fulton Bank
- Penn State Harrisburg, working with Fulton Bank
- University of Pittsburgh at Johnstown, working with Somerset Trust
- Alvernia University, working with Tompkins VIST Bank
- East Stroudsburg University, working with Mauch Chunk Trust



The student teams are competing for an academic scholarship, a chance for to get their work published in an academic journal and an opportunity to attend the sixth annual CSBS-Federal Reserve Community Banking Research Conference, held in St Louis this October. The top three scoring teams will be announced this spring. For more information on the 2018 Community Bank Case Study Competition, visit [www.csbs.org/bankcasestudy](http://www.csbs.org/bankcasestudy).

## Preventing Elder Financial Abuse

Executive Deputy Secretary Brian LaForme discusses the goals of the Elder Investment Fraud and Financial Exploitation (EIFFE) program with the Pennsylvania Institute of Certified Public Accountants. The department offers EIFFE to professionals whose clients include senior citizens, to help them recognize and report financial abuse targeting their clients, especially those suffering from mild cognitive impairment. The department works with many groups, including lawyers, accountants, doctors, nurses, cosmetologists, pharmacists, social workers, geriatric caregivers, funeral directors, tax preparers, bank and credit union employees, and investment professionals. The program has been accredited for continuing education credits. So far this fiscal year, the department has presented programs 37 times to an audience of nearly 3,000 professionals. If your professional group, organization, or company is interested in learning more about protecting senior citizens, contact us at [informed@pa.gov](mailto:informed@pa.gov).



### How are we doing?

Take a short online readers survey and let us know how we are doing. Have suggestions for topics or articles? Want more information on regulations or news affecting your organization or business? [Click here](#)





## Wiessmann Recognizes Mortgage Lenders

Secretary Robin L. Wiessmann and Brian Hudson from the PA Housing Finance Agency (right), recognized mortgage lenders earlier this month at the annual PHFA Homeownership Lender Awards Ceremony. “PHFA has become a trusted brand for delivering services to Pennsylvania homeowners and home buyers,” said Wiessmann, who serves as chair of PHFA board of directors. “The PHFA model works they are helping empower people across Pennsylvania to have and hold onto their part of the American dream of home ownership.”



## Mortgage Servicing License Application Deadline June 30

The deadline for non-bank mortgage servicing licensing applications is June 30, 2018.

Mortgage servicers can apply for a license through the Nationwide Multistate Licensing System (NMLS): <https://mortgage.nationwidelicensingsystem.org>.

A list of frequently asked questions and answers on the licensing process can be found on the department’s [website](#). Companies servicing a Pennsylvania mortgage without applying for a license by the deadline will be considered unlicensed and subject to enforcement action.

Anyone with questions about license and the application process can email the department at [mortgageservicing@pa.gov](mailto:mortgageservicing@pa.gov).



# INDUSTRY DATA | TRENDS | STATS Research

## Top U.S. Industries with Highest Percentage of Women on Boards

- CB**  
Consumer Business
- MFG**  
Manufacturing
- FSI**  
Financial Services
- LSHC**  
Life Sciences & Health Care
- TMT**  
Technology, Media, & Telecommunications



Source: Women in Boardroom, 5th ed., (Global Center for Corporate Governance)